



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 1, 2004

H.R. 2828 **Water Supply, Reliability, and Environmental Improvement Act**

As ordered reported by the House Committee on Resources on May 5, 2004

SUMMARY

Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 2828 would cost \$427 million over the 2005-2009 period and \$65 million after 2009. Those amounts do not include the cost of constructing four new water storage projects that would be authorized by this bill because construction would begin after 2009. CBO estimates that the federal share of those additional construction costs could range from \$200 million to \$400 million over the 2010-2020 period.

Enacting this bill would not affect direct spending or revenues. H.R. 2828 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The funds authorized by this bill would benefit the state of California and local governments in that state. Any spending by those governments to participate in the water projects would be voluntary.

H.R. 2828 would authorize multiple federal agencies to participate in the implementation of the Calfed Bay-Delta Program as outlined in the August 28, 2000, Record of Decision for the Calfed Bay-Delta Program Programmatic Environmental Impact Statement and Report. This bill would authorize the appropriation of \$389 million over the 2005-2008 period specifically for the proposed environmental water account, stabilizing levees, evaluating and constructing water conveyance structures, and coordinating the federal portion of the Calfed program. In addition, H.R. 2828 would authorize federal agencies to participate in the design and construction of four water storage projects if the Congress does not disapprove the feasibility studies for those projects.

In addition, H.R. 2828 would authorize the Secretary of the Interior to establish offices to coordinate compliance with federal regulations in the 17 western states where the Bureau of Reclamation operates. The bill also would authorize the Secretary to conduct two feasibility studies on constructing rural water systems and reclaiming the Salton Sea in California.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2828 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
SPENDING SUBJECT TO APPROPRIATION						
Calfed Bay-Delta Spending Under Current Law						
Budget Authority	0	0	0	0	0	0
Estimated Outlays	17	23	20	2	0	0
Proposed Changes:						
New Calfed Projects						
Authorization Level	0	98	98	98	95	0
Estimated Outlays	0	44	69	83	101	53
Water Storage Projects						
Estimated Authorization Level	0	0	0	5	35	35
Estimated Outlays	0	0	0	3	24	30
Regulatory Coordination Offices						
Estimated Authorization Level	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1
Feasibility Studies						
Estimated Authorization Level	0	15	0	0	0	0
Estimated Outlays	0	9	4	2	0	0
Total Changes						
Estimated Authorization Level	0	114	99	104	131	36
Estimated Outlays	0	54	74	89	126	84
Calfed Bay-Delta Spending Under H.R. 2828						
Estimated Authorization Level	0	114	99	104	131	36
Estimated Outlays	17	77	94	91	126	84

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2828 will be enacted near the end of fiscal year 2004 and that the necessary amounts will be appropriated in each year starting in 2005. Estimates of outlays are based on historical spending patterns of similar programs and information from the Bureau of Reclamation.

Title I - California Water Security and Environmental Enhancement Act

Title I would authorize the appropriation of \$389 million over the 2005-2008 period specifically for the proposed environmental water account (\$90 million), stabilizing levees (\$90 million), evaluating and constructing water conveyance structures (\$184 million), and coordinating the federal portion of the Calfed Bay-Delta Program (\$25 million). H.R. 2828 would authorize the Departments of the Interior, Agriculture, and Commerce, the Environmental Protection Agency, and the Army Corps of Engineers to participate in these projects. Under this bill, the federal share of the cost of these projects would be limited to 33.3 percent of the total cost for the 2005-2008 period as outlined in the Record of Decision. Because this bill would limit the federal cost share, CBO expects that spending on these projects will be slower than historical federal spending on similar projects. CBO estimates that implementing the projects outlined in this bill would cost \$350 million over the 2005-2009 period and \$39 million after that period.

In addition, this title would authorize the Secretary of the Interior to participate in the design and construction of four water storage projects if the Congress does not disapprove the feasibility studies for those projects. Under current law, federal agencies are allowed to participate in the feasibility studies for increasing the water storage capacity at Shasta Lake, the Los Vaqueros Reservoir, the Sites Reservoir, and the Upper San Joaquin River. Under H.R. 2828, the bureau and other federal agencies would be authorized to participate in the design and construction of those four storage projects as well, assuming appropriation of the necessary funds.

For this estimate, CBO assumes that some of the pre-construction engineering and design costs for these storage projects would occur over the 2005-2009 period. CBO estimates that the design phase of the Shasta enlargement project would begin in fiscal year 2007, and the design of the other three projects would begin in fiscal year 2008. CBO expects that the design phase would last two to three years. Based on information from the Bureau of Reclamation, CBO estimates that the total design costs for these four projects would cost about \$750 million. The federal share of project funding over the first three years of the Calfed Bay-Delta Program has been about 10 percent. For this estimate, CBO assumes that

the federal share of design and construction costs would be \$75 million (10 percent of \$750 million), though it could be higher or lower depending on the ultimate cost allocation that is negotiated between California and federal agencies. CBO estimates that implementing the design phase of these projects would cost \$57 million over the 2005-2009 period.

In addition, the bureau estimates that the total construction costs for these storage projects could range from \$2.1 billion to \$3.9 billion. Assuming a 10 percent federal cost share, CBO estimates that the federal share of these costs could range from about \$200 million to \$400 million, though such costs would depend on the ultimate cost allocation negotiated between California and federal agencies. CBO expects that construction would take place after 2010.

Title II - Establishment of Centralized Regulatory Coordination Offices

Title II would require the Secretary of the Interior to establish a regulatory coordination office in Sacramento, California, for use by all federal and state agencies that issue permits and prepare environmental assessments. In addition, the bill would authorize the Secretary to establish an office in any of the other 16 states covered by the Bureau of Reclamation if requested to do so by the governor of that state.

For this estimate, CBO assumes that an additional full-time equivalent employee will be hired for the existing Sacramento, California, regional office to improve regulatory coordination in the state. In addition, CBO assumes that the other 13 states that house existing bureau offices would also hire an additional full-time equivalent employee for the same purpose. CBO estimates that implementing this title would cost about \$1 million annually.

Titles III and IV - Feasibility Studies

Titles III and IV would require the Secretary of the Interior to conduct two feasibility studies. Under title III, the Secretary would conduct a study to determine the feasibility of constructing rural water systems. Based on information from the Bureau of Reclamation, CBO estimates that conducting this study would cost about \$200,000 in 2005. Under title IV, the Secretary would conduct a study to determine the feasibility of reclaiming the Salton Sea in California. Reclaiming the Salton Sea would be a complex undertaking from an engineering standpoint and would have wide ranging biological consequences according to the bureau. Based on information from the bureau, CBO estimates the it would cost about \$15 million over the 2005-2009 period to conduct this study.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2828 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The funds authorized by this bill would benefit the state of California and local governments in that state. Any spending by those governments to participate in the CALFED program would be voluntary. The bill would limit the federal share of CALFED projects to one-third of the total cost.

PREVIOUS CBO ESTIMATE

On May 5, CBO transmitted a cost estimate for S. 1097, the Calfed Bay-Delta Authorization Act, as ordered reported by the Senate Committee on Energy and Natural Resources on April 28, 2004. The differences in the CBO cost estimates for the two bills stem from different levels of authorized funding.

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